

**REPORT OF THE AUDIT OF THE  
BUTLER COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BUTLER COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**

The Auditor of Public Accounts has completed the Butler County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash balances increased by \$109,985 from the beginning of the year, resulting in a cash surplus of \$1,188,658 as of June 30, 2002.

#### **Debt Obligations:**

Capital lease principal agreements totaled \$831,541 as of June 30, 2002. Future principal and interest payments of \$1,139,987 are needed to meet these obligations.

#### **Report Comment:**

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$163,303 To Protect Deposits



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Hugh C. Evans, Butler County Judge/Executive  
Members of the Butler County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity balances arising from cash transactions of Butler County, Kentucky, as of June 30, 2002, the statement of cash receipts, cash disbursements, and changes in cash balances, and the related statement of cash flows for the year then ended. These financial statements are the responsibility of the Butler County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Butler County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity balances of Butler County, Kentucky, as of June 30, 2002, its receipts and disbursements, and the cash flows of its enterprise fund for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
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In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2003 on our consideration of Butler County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Butler County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$163,303 To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 22, 2003



BUTLER COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

**Fiscal Court Members:**

Hugh C. Evans	County Judge/Executive
Kathy Bratcher	Magistrate
Rollie Clark	Magistrate
Timmy Givens	Magistrate
Woody Marty	Magistrate
Roger McKinney	Magistrate

**Other Elected Officials:**

Robert Wade	County Attorney
Terry Fugate	Jailer
Diane Ingram	County Clerk
Bonnie Howard	Circuit Court Clerk
Kenneth Morris	Sheriff
Richard Embry	Property Valuation Administrator
Gerald Jones	Coroner

**Appointed Personnel:**

Angela Pendley	County Treasurer
Suzanne Brosman	Finance Officer



STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

BUTLER COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 866,290	\$ 1	\$	
Certificates of Deposit	<u>400,000</u>			
Total Assets	<u>\$ 1,266,290</u>	<u>\$ 1</u>	<u>\$ 0</u>	
<u>Other Resources</u>				
Amounts to Be Provided In Future Years for:				
Capital Lease (Note 4)	<u>\$ 283,541</u>	<u>\$</u>	<u>\$ 548,000</u>	
Total Other Resources	<u>\$ 283,541</u>	<u>\$ 0</u>	<u>\$ 548,000</u>	
Total Assets and Other Resources	<u><u>\$ 1,549,831</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 548,000</u></u>	

The accompanying notes are an integral part of the financial statements.

BUTLER COUNTY  
 STATEMENT OF ASSETS, LIABILITIES,  
 AND EQUITY ARISING FROM CASH TRANSACTIONS  
 June 30, 2002  
 (Continued)

<u>Proprietary</u> <u>Fund Type</u>	<u>Totals</u> <u>(Memorandum Only)</u>
<u>Enterprise</u>	
\$ 5,305	\$ 871,596
	<u>400,000</u>
<u>\$ 5,305</u>	<u>\$ 1,271,596</u>
<u>\$</u>	<u>\$ 831,541</u>
<u>\$ 0</u>	<u>\$ 831,541</u>
<u>\$ 5,305</u>	<u>\$ 2,103,137</u>

The accompanying notes are an integral part of the financial statements.

BUTLER COUNTY  
 STATEMENT OF ASSETS, LIABILITIES,  
 AND EQUITY ARISING FROM CASH TRANSACTIONS  
 June 30, 2002  
 (Continued)

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Lease (Note 4)	<u>\$ 283,541</u>	<u>\$</u>	<u>\$ 548,000</u>	
Total Liabilities	<u>\$ 283,541</u>	<u>\$ 0</u>	<u>\$ 548,000</u>	
<u>Equity</u>				
Retained Earnings:				
Restricted	\$	\$	\$	
Fund Balances:				
Unreserved	<u>1,266,290</u>	<u>1</u>		
Total Equity	<u>\$ 1,266,290</u>	<u>\$ 1</u>	<u>\$</u>	
Total Liabilities and Equity	<u>\$ 1,549,831</u>	<u>\$ 1</u>	<u>\$ 548,000</u>	

The accompanying notes are an integral part of the financial statements.

BUTLER COUNTY  
 STATEMENT OF ASSETS, LIABILITIES,  
 AND EQUITY ARISING FROM CASH TRANSACTIONS  
 June 30, 2002  
 (Continued)

<u>Proprietary</u> <u>Fund Type</u>	<u>Totals</u> <u>(Memorandum Only)</u>
<u>Enterprise</u>	
<u>\$</u>	<u>\$ 831,541</u>
<u>\$ 0</u>	<u>\$ 831,541</u>
<u>\$ 5,305</u>	<u>\$ 5,305</u>
 	<u>1,266,291</u>
<u>\$ 5,305</u>	<u>\$ 1,271,596</u>
<u>\$ 5,305</u>	<u>\$ 2,103,137</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

BUTLER COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,727,989	\$ 1,988,787	\$ 1,183,252	\$ 342,157
Jail Canteen Receipts	52,589			
Other Financing Sources:				
Transfers In	159,715	215		159,500
Kentucky Advance Revenue Program	340,700	314,600	26,100	
Lease-Purchase Proceeds	51,725		51,725	
Total Cash Receipts	<u>\$ 4,332,718</u>	<u>\$ 2,303,602</u>	<u>\$ 1,261,077</u>	<u>\$ 501,657</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,465,463	\$ 1,743,378	\$ 1,007,158	\$ 507,134
Jail Canteen Expenditures	52,655			
Other Financing Uses:				
Transfers Out	159,715	159,500		
Capital Lease - Interest Paid	23,680			
Capital Lease - Principal Paid	128,885	46,425	58,460	
Road Equipment	51,725		51,725	
Kentucky Advance Revenue Program Repaid	340,700	314,600	26,100	
Total Cash Disbursements	<u>\$ 4,222,823</u>	<u>\$ 2,263,903</u>	<u>\$ 1,143,443</u>	<u>\$ 507,134</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 109,895	\$ 39,699	\$ 117,634	\$ (5,477)
Cash Balance - July 1, 2001	<u>1,078,763</u>	<u>746,405</u>	<u>230,848</u>	<u>31,759</u>
Cash Balance - June 30, 2002	<u>\$ 1,188,658</u>	<u>\$ 786,104</u>	<u>\$ 348,482</u>	<u>\$ 26,282</u>

The accompanying notes are an integral part of the financial statements.

BUTLER COUNTY  
 STATEMENT OF CASH RECEIPTS,  
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

General Fund Type		Special Revenue Fund Type	Debt Service Fund Type	Enterprise Fund Type
Local Government Economic Assistance Fund	Statue Fund	Community Development Block Grant Fund	Courthouse Sinking Fund	Jail Canteen Fund
\$ 51,547	\$	\$ 114,566	\$ 47,680	\$ 52,589
\$ 51,547	\$ 0	\$ 114,566	\$ 47,680	\$ 52,589
\$ 87,402	\$	\$ 120,391	\$	\$ 52,655
	215		23,680 24,000	
\$ 87,402	\$ 215	\$ 120,391	\$ 47,680	\$ 52,655
\$ (35,855) 58,339	\$ (215) 215	\$ (5,825) 5,826	\$	\$ (66) 5,371
\$ 22,484	\$ 0	\$ 1	\$ 0	\$ 5,305

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH  
FLows-PROPRIETARY FUND TYPE



BUTLER COUNTY  
STATEMENT OF CASH  
FLOWS-PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund Type</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Inmate Sales	\$ 52,058
Payments to Suppliers	(32,649)
Payments to Employees	(20,005)
Other Receipts	278
	<hr/>
Net Cash Used By Operating Activities:	\$ (318)
	<hr/>
Cash Flows From Investing Activities:	
Interest Received on Bank Accounts	\$ 253
	<hr/>
Net Cash Provided By Investing Activities	\$ 353
	<hr/>
Net Decrease in Cash	\$ (65)
Cash July 1, 2001	5,370
	<hr/>
Cash June 30, 2002	\$ 5,305
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

BUTLER COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Butler County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Butler County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Butler County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Butler County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Butler County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund and Statue Fund.



BUTLER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Butler County Special Revenue Fund Type includes the following county fund: Community Development Block Grant Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Courthouse Sinking Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Butler County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements.

The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

BUTLER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Butler County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Debt Service Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Cash Equivalents

Cash includes amounts in bank accounts and certificates of deposits are stated at cost. For the purpose of the statement of cash flows, the county considers all investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

BUTLER COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of August 31, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$163,303 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 2001.

	<u>Bank Balance</u>
FDIC insured	\$ 200,000
Collateralized with securities held by pledging depository institution in the county's name	1,312,611
Uncollateralized and uninsured	<u>163,303</u>
Total	<u><u>\$ 1,675,914</u></u>

BUTLER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 4. Lease Agreements

The county has entered into the following lease agreements:

A. Courthouse

On September 24, 1997, the Butler County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease purchase agreement was for the renovation and expansion of the Butler County Courthouse. The principal was \$638,000 at a rate of 4.83% interest for a period of 20 years, interest paid monthly, and principal paid annually. Principal outstanding as of June 30, 2002, was \$548,000. Future lease payment requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 31,296	\$ 26,000
2004	29,757	27,000
2005	28,160	28,000
2006	26,504	29,000
2007	24,766	31,000
2008-2012	94,491	178,000
2013-2017	36,491	229,000
Totals	<u>\$ 271,465</u>	<u>\$ 548,000</u>

B. Fire Truck

On December 30, 1999, the Butler County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for the purchase of a fire truck. The principal was \$41,000 at a rate of 4.28% interest for a period of 10 years, interest and principal paid monthly. Principal outstanding as of June 30, 2002, was \$32,645. Future lease payment requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 1,997	\$ 3,706
2004	1,827	3,875
2005	1,644	4,051
2006	1,458	4,236
2007	1,265	4,429
2008-2010	1,954	12,348
Totals	<u>\$ 10,145</u>	<u>\$ 32,645</u>

BUTLER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 4. Lease Agreements (Continued)

C. Fire truck

On November 30, 2001, the Butler County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for the purchase of a fire truck. The principal was \$48,902 at a rate of 4.28% interest for a period of 10 years, interest and principal paid monthly. Principal outstanding as of June 30, 2002, was \$42,891. Future lease payment requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 2,266	\$ 4,238
2004	2,026	4,433
2005	1,776	4,637
2006	1,514	4,850
2007	1,250	5,072
2008-2011	<u>1,998</u>	<u>19,661</u>
Totals	<u>\$ 10,830</u>	<u>\$ 42,891</u>

D. Dump truck

On October 10, 1997, the Butler County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for the purchase of a dump truck. The principal was \$123,597 at a rate of 3.76% interest for a period of 5 years, interest and principal paid monthly. Principal outstanding as of June 30, 2002, was \$8,916. Remaining lease payment requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	<u>\$ 86</u>	<u>\$ 8,916</u>

BUTLER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 4. Lease Agreements (Continued)

E. Chips Spreader

On March 12, 2001, the Butler County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for the purchase of a chips spreader. The principal was \$60,680 at a rate of 4.31% interest for a period of 5 years, interest and principal paid monthly. Principal outstanding as of June 30, 2002, was \$49,312. Future lease payment requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 2,195	\$ 11,611
2004	1,560	12,114
2005	897	12,639
2006	221	12,948
Totals	<u>\$ 4,873</u>	<u>\$ 49,312</u>

F. Ambulance

On October 30, 2000, the Butler County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for the purchase of an ambulance. The principal was \$69,550 at a rate of 4.53% interest for a period of 5 years, interest and principal paid monthly. Principal outstanding as of June 30, 2002, was \$48,079. Future lease payment requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 2,315	\$ 13,676
2004	1,543	14,304
2005	735	14,961
2006	59	5,138
Totals	<u>\$ 4,652</u>	<u>\$ 48,079</u>

BUTLER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 4. Lease Agreements (Continued)

G. Ambulance

On August 27, 1999, the Butler County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for the purchase of an ambulance. The principal was \$130,000 at a rate of 3.76% interest for a period of 5 years, interest and principal paid monthly. Principal outstanding as of June 30, 2002, was \$59,598. Future lease payment requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 2,128	\$ 26,781
2004	898	27,794
2005	27	5,023
Totals	<u>\$ 3,053</u>	<u>\$ 59,598</u>

H. Dump truck

On October 25, 2001, the Butler County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for the purchase of a dump truck. The principal was \$51,725 at a rate of 3.73% interest for a period of 5 years, interest and principal paid monthly. Principal outstanding as of June 30, 2002, was \$42,100. Future lease payment requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 1,416	\$ 9,975
2004	1,038	10,330
2005	647	10,705
2006	241	11,090
Totals	<u>\$ 3,342</u>	<u>\$ 42,100</u>

Note 5. Insurance

For the fiscal year ended June 30, 2002, Butler County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



BUTLER COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Types</u>			
General Fund	\$ 1,939,953	\$ 1,988,787	\$ 48,834
Road and Bridge Fund	1,173,048	1,183,252	10,204
Jail Fund	517,884	342,157	(175,727)
Local Government Economic Assistance Fund	51,128	51,547	419
<u>Special Revenue Fund Type</u>			
Community Development Block Grant Fund	<u>101,580</u>	<u>114,566</u>	<u>12,986</u>
Totals	<u>\$ 3,783,593</u>	<u>\$ 3,680,309</u>	<u>\$ (103,284)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 3,783,593
Add: Budgeted Prior Year Surplus			412,727
Less: Other Financing Uses			<u>(445,585)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 3,750,735</u>

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SCHEDULE OF OPERATING REVENUE



BUTLER COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	<u>GOVERNMENTAL FUND TYPES</u>			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 1,297,749	\$ 1,297,749	\$	\$
In Lieu Tax Payments	29,460	29,460		
Excess Fees	82,389	82,389		
Intergovernmental Revenues	1,987,507	1,872,941	114,566	
Charges for Services	203,391	203,391		
Miscellaneous Revenues	36,033	36,033		
Interest Earned	91,460	43,780		47,680
Total Operating Revenue	<u>\$ 3,727,989</u>	<u>\$ 3,565,743</u>	<u>\$ 114,566</u>	<u>\$ 47,680</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



BUTLER COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 553,014	\$ 498,953	\$ 54,061
Protection to Persons and Property	1,112,960	1,053,095	59,865
General Health and Sanitation	237,832	235,960	1,872
Social Services	4,863	4,663	200
Recreation and Culture	5,000	2,089	2,911
Roads	1,040,004	956,407	83,597
Debt Service	31,783	4,886	26,897
Capital Projects	4,000		4,000
Administration	659,699	589,019	70,680
Total Operating Budget - General Fund Type	\$ 3,649,155	\$ 3,345,072	\$ 304,083
Borrowed Money-			
Kentucky Advanced Revenue			
Program - Principal	340,700	340,700	
Capital Lease Agreement-			
Principal on Lease	104,885	104,885	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 4,094,740</u>	<u>\$ 3,790,657</u>	<u>\$ 304,083</u>

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Health and Sanitation	\$ 101,580	\$ 120,391	\$ (18,811)
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 101,580</u>	<u>\$ 120,391</u>	<u>\$ (18,811)</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Hugh C. Evans, Butler County Judge/Executive  
Members of the Butler County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Butler County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated July 22, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Butler County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comment and recommendation.

- The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$163,303 To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Butler County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 22, 2003



COMMENT AND RECOMMENDATION



BUTLER COUNTY  
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2002

The County Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of 163,303 To Protect Deposits

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On August 31, 2001, \$163,303 of the county's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*County Judge/Executive Hugh C. Evans' Response:*

*None.*

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS


BUTLER COUNTY FISCAL COURT

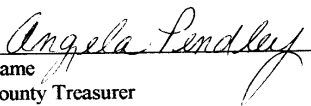
For The Fiscal Year Ended  
June 30, 2002

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS  
BUTLER COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2002

The Butler County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer